

**April 19, 2007**

**EEHV OWNERS FUNDING PROPOSAL AND REQUESTED CITY COUNCIL ACTION**

The purpose of this Statement is to describe the funding proposal of the Evergreen-East Hills Vision Strategy Property Owners (“Owners”) regarding the development of the “Opportunity Sites” as set forth in the draft Evergreen Development Policy (“EDP”). The City Council is being asked to approve the PD zonings allowing for development of housing units and retail footage stated herein and authorize planning to issue 10 year development agreements for each site and the PDO/PIO obligations of each owner shall be satisfied entirely by the dedications and fees set forth in this document. No other fees or dedications of any type shall be required of any Owner except as set forth herein.

After four (4) years of working with the City staff, two task forces, the City Council and spending \$10,000,000 of development expenses the Owners lowered their request for housing units to a maximum of 4730 (increased by 90 units if no school site in industrial) and have agreed to provide 82 acres of School and Parklands in addition to the \$221,450,000 of Amenity Funds. The Owners have also decreased their proposed housing units while increasing their funding for improvements and amenities from \$206,000,000 to \$221,450,000 (“Amenity Funds”). Additionally, the Owners have increased their proposed total land dedication from 52 acres to 82 acres. The Owners have also agreed to provide to the East Side Union High School District and the Elementary Schools \$34,915,000 of cash and benefits over state mandated requirements.

1. \$12,837,000 special bonus from developers for school improvements in Eastside Union High School District based on square footage of units. This is in addition to the required High School payment of estimate \$6,456,000 based on sq. ft. of units or a total estimated amount of \$19,292,000 for High School fees. Combined High School and Elementary School funding and benefits over state mandated requirements are \$34,915,000.
2. \$104,000,000 for Traffic Improvements to the East San Jose area or these citizens will have to wait 30 years for scheduled solutions to their traffic problems. (Allocations subject to City approval)
3. \$117,450,000 for parks, sports fields, schools, a library and a community center on 82 acres. (Allocations subject to City)
4. 575+ new affordable housing units and many more that may qualify based on rental rates.

The Owners funding commitment is dependent on approval of development for a total of 4,730 housing units (90 additional if no school site on industrial) and 495,000 sq. ft. of retail on

the Opportunity Sites. In addition, the City is proposing up to 500 additional housing units to be allocated to various infill sites in the Evergreen Policy Area as determined by the City from time to time.

The allocation of the 4,730 housing units among the Opportunity Sites would be as follows:

Arcadia Site	1,875 units
Evergreen College Site	500 units
Pleasant Hills Site	665 units
Campus Industrial Site	<u>1,690 units*</u>
	4,730 units*

\*90 additional if no school site

Additionally, up to 300,000 square feet of commercial retail is proposed for the Arcadia Site and up to 195,000 square feet of commercial retail is proposed for the College Site.

Owners have agreed to fund up to \$221,450,000 for a list of transportation improvements and community amenities. The City would be responsible for causing identified transportation improvements to be constructed and identifying and prioritizing various community amenities to be built. The Amenity Funds would be paid in phases by the Owners. The Owners proposed Development Phasing Schedule is included in the EDP and is attached hereto for reference. This Schedule connects the approval of building permits with funding of the Amenity Funds and identifies the type of transportation and community amenities to be constructed in Phase I & II.

The Owners offer to fund Amenity Funds is subject to the City approving general plan amendments zoning and maps for the Owner's projects which would allow construction of the housing and commercial development described above, acceptable 10 year development agreements and no additional PDO or other unusual fee requirements.

#### 1. **Campus Industrial Site Conversion.**

The Campus Industrial Sites consist of 320 total acres owned by three separate entities (Berg – 175 acres; IDS – 25 acres; Legacy – 120 acres). This area was originally designated as residential in San Jose's General Plan and was amended in the early 1980's to become Campus Industrial as part of the "Berryessa Swap". No development activity has occurred on the site since the early 1980's.

The proposal calls for 1690 mostly detached for-sale units (Berg – 900 units; IDS – 200 units; Legacy – 590 units). The original proposal was for 2,060 units.

The Campus Industrial Sites will also include:

- 21± acres for New K-8 school site and joint use park
- 10-13± acres for additional New Neighborhood Parks (Berg – 5 acres; IDS – 2 acres; Legacy – 6 acres)

## **2. Arcadia Site**

This site is an 81 acre parcel on Capital Expressway across from the Eastridge Mall. The goal of this site is to create a high density Transit Oriented Mixed-Use Development consisting of 1,875 multi-family units and up to 300,000 square feet of commercial retail.

The site is in one of the City's SNI/Redevelopment areas, and as such, 20% of the housing units will meet the City's current affordable housing requirements for Redevelopment areas.

The Arcadia site will also consist of:

- 11.25 acres for an active adult sports park
- 5 acres of land dedication from Arcadia that will be added to existing 5 acres City owned Meadow Fair Park and 20 acre Evergreen School District's existing LeyVa Middle School campus. This land will provide for the following:
  - New K-6 school
  - 30,000 square foot joint-use Community Center with Evergreen School District
  - \*
  - Joint Use playing fields\*
  - Little League Complex\*
  - \* Funding from the Amenity Funds

## **3. Evergreen Valley Community College Site**

This 27± acre site is currently owned by EVCC District and sits adjacent to District's existing shopping center. The District intends to retain ownership of the site and ground lease the site to developer(s).

The proposal includes 500 multi-family units, 40% of which are intended to be reserved for affordable units that meet the City's definition for affordable housing. The District's original proposal was for 700 units and no affordable housing. In addition, the site proposes to include up to 195,000 square feet of commercial retail and commercial office. Included in this request is the desire for a full service supermarket.

## **4. Pleasant Hill Golf Course**

The PHGC site (KB Home/SummerHill) is a 114± acre site on the corner of White and Tulley that is the former Pleasant Hills Golf Course owned by the Duino family. The course has been closed for over two years.

The proposal calls for 665 detached (590) and attached (75) for-sale units with over 40% of the "net" site remaining as public benefit uses. Our original proposal was for 825 units.

The PHGC site will also include:

- New 11± acres K-6/8 school site and joint use park
- New 9± acres sports park
- New 5± acre Neighborhood Park and additional open space/buffer areas
- 1 Acre land dedication for new city fire station

Note that the K-6/8 elementary school will be entirely privately funded by this project. The school district will not have to pass a district-wide bond measure to construct the school.

5. **The Impact on Area Schools.** The Evergreen Development Policy Area is served by three separate school districts: East Side Union High School District, Evergreen Elementary School District, and Mt. Pleasant School District. The Owners have negotiated an acceptable mitigation plan with each of the affected school districts as stated above. The Owners will provide 21 acres of the Campus Industrial site for a new K-8 school site and joint use sports park. The Owners will provide 5 acres of land on the Arcadia site that is being proposed to be added to the existing 5 acres City owned Meadow Fair Park and 20 acres Evergreen School District's existing LeyVa Middle School campus. The Owners will provide the land for construction of the following::

- New K-6 Elementary School (Developer Funding)
- A site for the new K-8 Middle School
- 30,000 square joint-use Community Center\*
- Joint-use play fields\*
- Little League Complex\*
- \* Construction from Amenity Funds

The joint-use agreements with the districts and the City will need to be negotiated to the satisfaction of the City.

6. **Affordable Housing Policy.** Currently, 375 of the Arcadia Site housing units will meet the City's affordable housing requirements for Redevelopment Areas. The College Site has proposed that up to forty percent (40%) of the units constructed on the site will meet the City's definition for affordable housing.

7. **500 Residential pool units**  
Per the EDP these units will contribute a traffic impact fee of \$6,000 – 12,000 if development permits are granted after completion of construction of Phase II by the Owners. We propose that pool allocation request that are less than 4 units be allowed to receive allocations in any phase of the EDP, but requests for more than 4 units allocations will not be granted until after completion of Phase II construction. A request for allocations in excess of 4 units may be considered in Phase I or II if a voluntary contribution is made to the Transportation and Amenity package at a discounted amount of \$55,000-\$60,000 per unit.

### 8. Cash Contributions

The Opportunity Sites will provide funding per the Evergreen Development Policy for total a total of \$221,450,000 to be spent on transportation improvements, and Community Amenities. \$130,200,000 will be provided prior to the issuance of the first building permit by the owner of each site in Phase I & II. The residential pool units under our proposal would contribute \$29,000,000+- more in transportation and amenity fees, bringing the total package up to \$250,000,000 million. In addition the Owners would contribute in Cash and benefits the payments stated above for schools when obtaining permits for units..

### 9. Phase I and Future Contributions.

The Phase I contribution of \$22,000,000 will be provided upon the issuance of the first PD Zoning and Development Agreements. The Phase II balance of \$108,200,000 will be paid upon issuance of the first building permits by each of the Owners listed below under Phase II. The Phase I & II payments will be paid by Berg, Pleasant Hills, IDS and Legacy in the amounts shown below under Phase I.&II It is anticipated that Phase III will occur in two or three increments over the next 2-7 years. The City has agreed that items listed below in Phase I & II, Tier I will be funded with Phase I & II and the misc. funds will be funded per City of San Jose.

Evergreen Owner's Group Funding					Phase I – II & Future Summary below			
Project	Gross	Res	School	"Net"	Phase One & Two		Future Phases	
			Amenity					
	Acres	Units	Acreage	Allocation	Units	Allocation	Units	Allocation
Arcadia	81	1875	15.95	38,250,000			1,875	38,250,000
(Commercial 300k sf)								
EVCC	27	500	0.00	9,000,000			500	9,000,000
(Commercial 195k sf)								
Pleasant Hills	114	665	31.00	37,100,000	330	18,100,000	335	19,000,000
Berg	175	900	26.00	33,500,000	900	33,500,000		
IDS	25	200	2.00	18,100,000	200	18,100,000		
Legacy	120	590	6.00	60,500,000	590	60,500,000		
Evergreen School State Funds				25,000,000			90*	25,000,000
Total Amenity Package Allocation	542	4820	80.95	221,450,000	2,020	130,200,000	2,800*	91,250,000
*Required if school	doesn't	take the	site.					
Background Units		500	0.00	29,000,000			500	29,000,000

Dedicated/Amenity	<b>69.7</b>							
As part of Phase I & II								
Phase I & II Units % of Total (50% allowed)	<b>41.9%</b>							
Evergreen Development Policy Stipulates Up To 50% Of The Units Requires \$130 Million								

Summary Of Funds Required From "Community" Amenities for Phase One & Two From Tier 1 TF List August 2006							
Item 1,2,3 are required, others subject to City discretion							
1) Berg Joint Use 6 acre sports park/hmp site on 21 acre School site						\$ 3,500,000	
2) Little league or community facilities potential on Arcadia Site						\$ 5,000,000	
3) Sports facility at August Boeger School						\$ 3,500,000	
4) Misc. Amenities						\$ 14,200,000	
5) VTA Transportation						\$ 82,000,000	
6) Local Traffic Issues						\$ 22,000,000	
TOTAL ONE TRANSPORTATION &				AMENITIES		\$130,200,000	
Note 1 - Pleasant Hills will dedicate a one acre fire station dedicated in phase 2							
Note 2 - Background units not a part of the Phase I & II 50% increment							
Note 3 - Funding and dedications are predicated upon the following:							
a. Approved PD Zonings on all opportunity sites allowing the development units & footage stated above.							
b. Acceptable development agreements for all opportunity sites							
c. The PDO/PIO obligations of each owner shall be satisfied entirely by the dedications and fees set forth in this document. No other fees or dedications of any type shall be required of any owner except as set forth herein."							

#### 10. Parks, Joint Use Facilities and Schools

The following acreage will be provided for development with Phase I & II PD Zoning and Development Permits. The balance of the Parks and JU Facilities will be provided as required by the City on Future phase developments.

<b><u>PHASE I &amp; II PARKS &amp; SCHOOLS</u></b>			
	<b>Phase I &amp; II</b>	<b>Phase I II</b>	<b>Phase I &amp; II</b>
	<b>Park-PDO</b>	<b>JU Parks</b>	<b>SchoolAC</b>

<b>ARCADA</b>		4.7	
<b>PLEASANT HILLS</b>	20.0	5.0	6.0
<b>BERG</b>	5.0	6.0	15.0
<b>IDS</b>	2.0		
<b>LEGACY</b>	6.0		
	<b>33.0</b>	<b>15.7</b>	<b>21.0</b>

The obligations of any Property Owner after Phase I & II for shall be increased in amount annually on January 1 of each year starting January 1, 2008 by an amount equal to the increase in the San Francisco Bay Area consumer price index during the prior year. Notwithstanding any other provisions or terms of this Agreement, no Owner or Entity shall be liable for any obligations stated herein except those shown on the schedules above as the obligation or commitment of that specific Owner or Entity.

**THE OWNERS OR ENTITY SHOWN BELOW AGREES TO THE ABOVE TERMS AND CONDITIONS SUBJECT TO THE ISSUANCE OF ALL REQUIRED APPROVALS BY THE CITY COUNCIL AND OTHER RELATED CITY DEPARTMENTS AS REQUIRED BY THIS AGREEMENT**

OWNERS:

**ARCADIA DEVELOPMENT CO., a California corporation**

\_\_\_\_\_  
By:

Its:

\_\_\_\_\_  
By:

Its:

**ELI REINHARD, an individual**

**PEPPER-LANE-QUIMBY LLC, a California limited liability company**

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By:

Its:

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By:

Its:

**MISSION WEST PROPERTIES LP, a California limited partnership**

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By:

Its:

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By:

Its:

**IONE ENTERPRISES 2 LLC,  
a California limited liability company**

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By:

Its:

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By:

Its:

**PACIFIC RIM SCIENCE PARK LLC,  
a California limited liability company**

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By:

Its:

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By:

Its:

**YERBA BUENA OPCO LLC,**



**a California limited liability company**

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By:

Its:

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By:

Its:

**SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT,  
a political subdivision of the State of California**

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By:

Its:

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By:

Its:

**KB-SUMMERHILL EVERGREEN, LLC  
a California limited liability company**